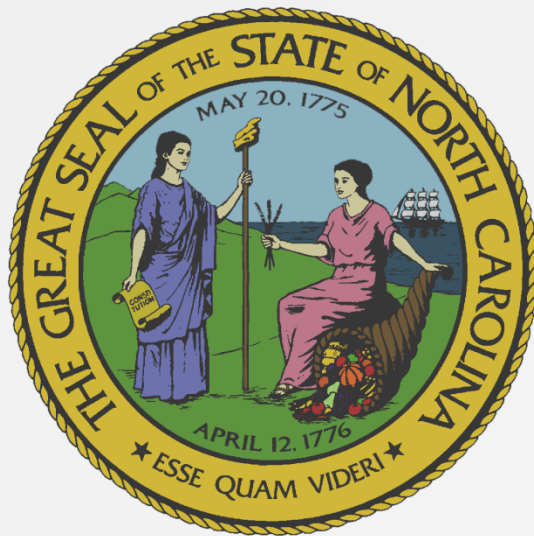




Office of State Budget and Management  
*Balancing Needs - Improving Government*



# Budget Update:

## Department of Health and Human Services and Medicaid

*Prepared by:*

*The Office of State Budget and Management*

*Pam Kilpatrick, Assistant State Budget Officer*

*February 11, 2014*



## DHHS Budget Update for State Fiscal Year 2013-14 Through December 30, 2013

1. Total DHHS Budget and Expenditures
2. Medicaid Budget and Expenditures
3. Observations



## DHHS Budget and Expenditures

### State Fiscal Year 2013-14

#### Department Total

	Certified Budget	Year-to-Date December 31, 2013	Year-to- Date Percent of Budget
Total Requirements	\$ 18,381,623,666	\$ 9,182,362,463	50%
Receipts	\$ 13,387,835,343	\$ 6,723,706,602	50%
Appropriation	\$ 4,993,788,323	\$ 2,458,655,861	49%



## DHHS Expenditure Comparison

	Comparison of Total DHHS Spending				
	December 31, 2012		December 31, 2013		Current YTD Over/(Under)
		Percent of		Percent of	Prior Year YTD
	Year-to-Date	Budget	Year-to-Date	Budget	Actual Amounts
Total Requirements	\$8,138,170,440.88	44%	\$9,182,362,462.76	50%	\$ 1,044,192,021.88
Receipts	5,632,117,658.88	41%	6,723,706,602.09	50%	1,091,588,943.21
Appropriation	\$2,506,052,782.00	53%	\$2,458,655,860.67	49%	\$ (47,396,921.33)

Spending in the first 6 months is \$1B greater than prior year, while state general fund consumption is \$47.4M lower

Most of this variance is accounted for in Medicaid



## DHHS Expenditures by Division

DHHS Actual Expenditures as of December 31, 2013				
	State General Funds Spent Through Dec. 30, 2013	Percent of Annual Budget Expended	Percent of Annual State GF Expended	Percent of Annual Receipts Collected
Central Management	\$ 44,642,251	50%	61%	39%
Aging and Adult Services	\$ 20,063,462	45%	37%	52%
Child Development	\$ 106,671,449	44%	42%	46%
Public Health	\$ 69,418,463	43%	48%	42%
Social Services	\$ 82,330,199	50%	47%	50%
Medicaid	\$ 1,731,728,617	50%	50%	51%
NC Health Choice	\$ 33,825,428	52%	50%	53%
Blind/Deaf/Hard of Hearing	\$ 4,014,987	43%	49%	41%
Mental Health, DD, SAS	\$ 348,078,676	54%	50%	57%
Health Service Regulation	\$ 1,880,731	42%	12%	52%
Vocational Rehabilitation	\$ 16,001,592	46%	41%	48%
<b>Department Total</b>	<b>\$ 2,458,655,860</b>	<b>50%</b>	<b>49%</b>	<b>50%</b>

Factors that impact percentages include timing of payments, accounting for receipts, cost allocation and changes in demand for services



## Medicaid Budget to Actual

### Medicaid Budget & Expenditures

State Fiscal Year 2013-14

	Certified Budget	Year-to-Date Expenditures December 30, 2013	YTD Percent of Budget	Prior Year December Percent of Budget
Total Requirements	\$ 13,071,194,944	6,592,288,597	50%	43%
Receipts	\$ 9,609,244,825	4,860,559,980	51%	39%
Appropriation	\$ 3,461,950,119	1,731,728,617	50%	56%

How does this compares to where we expect Medicaid spending should be?

Source: All expenditure data from NCAS, BD701 Report



## Medicaid Comparison with Prior Year

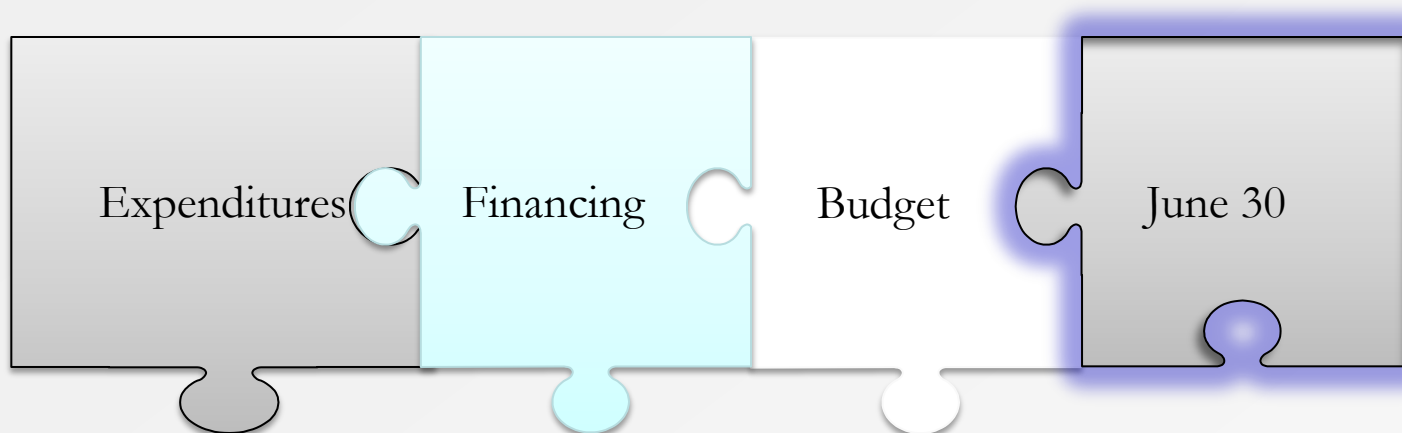
Comparison with Prior Year					Current Year YTD Over (Under) Prior Year YTD Actual Amounts
	December 31, 2012		December 31, 2013		
	Actual Year-to-Date	Percent of Budget	Actual Year-to-Date	Percent of Budget	
<b><u>Medicaid</u></b>					
Total Requirements	\$ 5,633,899,023.91	43%	\$ 6,592,288,597.01	50%	\$ 958,389,573.10
Receipts	3,907,331,627.67	39%	4,860,559,979.73	51%	953,228,352.06
Appropriation	\$ 1,726,567,396.24	56%	\$ 1,731,728,617.28	50%	\$ 5,161,221.04
<b><u>NC Health Choice</u></b>					
Total Requirements	\$ 154,753,863.13	46%	\$ 146,995,423.31	52%	\$ (7,758,439.82)
Receipts	107,565,217.77	42%	113,169,994.44	53%	5,604,776.67
Appropriation	\$ 47,188,645.36	59%	\$ 33,825,428.87	50%	\$ (13,363,216.49)

Spending in the first 6 months is greater than prior year. Percent of state general fund consumption is less.

- Hospital Supplemental Payments owed in SFY 2013, paid in SFY 2014 (100% receipts)
- Appropriations impacted by Legislative changes to receipts and appropriations



## Medicaid variables



Medicaid June 30 will depend on total expenditures, federal funding is received for services, administration of budget and finance, policy impacts, amount and timing of other receipts, and how it all compares to the enacted budget.

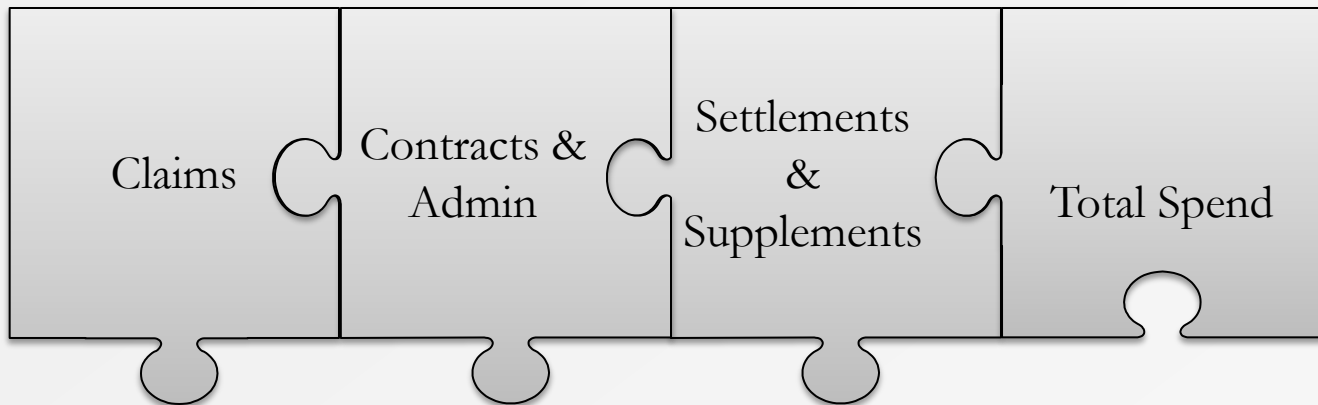
Appropriations are fixed at \$3.4B. Expenditures and revenues variable.





# Medicaid

**Claims are the largest component of Medicaid spending, but not the whole expenditure picture**



*Medicaid claims account for \$11B in payments*

- DHHS estimates \$85M - \$125M state impact of claims not yet processed
- Impacted by eligibles, recipients, volume, mix, cost of services (currently limited data)

*Cost settlements (inpatient/outpatient hospital, nursing facilities, MH hospitals, health departments, other) and supplemental payments account for \$2B*

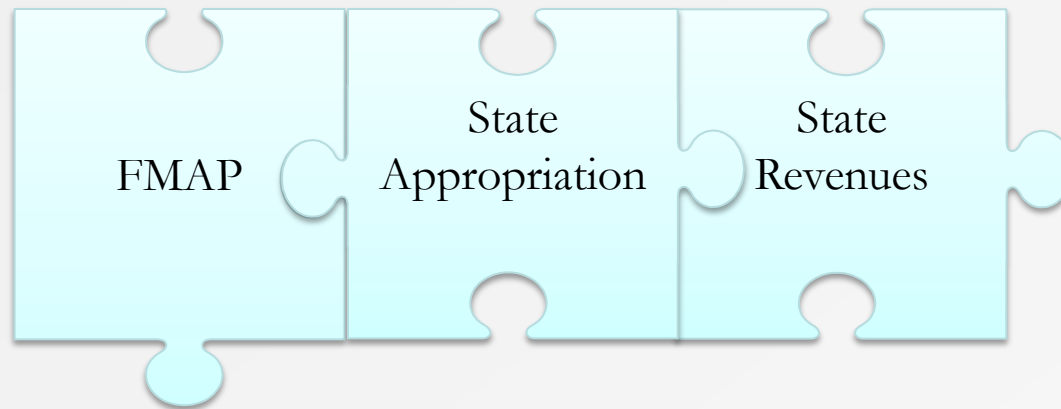
- Currently cost settlement payouts ahead of budget, returns lag

Other spending for contracts and administration.



# Medicaid

**FMAP is the largest source of receipts in Medicaid, but not the whole financial picture**



***\$9.6B annual receipts:***

- Federal medical assistance payment (FMAP) of 65.78%
- Administration costs matched at 50%, 75% or 90%
- Receipts budgeted/used in lieu of appropriations from the state share of drug rebates, refunds, supplemental hospital payments and hospital assessments

**Variables in financing:**

- Correctly assessing and accounting for FMAP and other federal shares
- Timing of drug rebates, assessments
- Total value and state share of refunds, program recoveries



## At the mid-year mark ...

### Medicaid is an uncertainty

- Last 5 years total expenditures at the half year mark are between 44% and 47%. Medicaid is currently at 50%
- State general fund appropriations expended at this time last year was 56%. Medicaid is currently at 50%. Claims have not fully cleared the NC TRACKS
- Adequacy of state funding for Medicaid becomes clearer in the second half of the year with
  - Clarity about enrollment (eligibles vs recipients), service consumption
  - Savings fully or partially achieved
  - Revenues from rebates, recoveries, settlements fully or partially achieved
  - Still to be determined the impacts of the Affordable Care Act ("woodworking" and presumptive eligibility)



## At the mid-year mark ....

**Most other DHHS divisions are spending at or below 50%**

**Mental Health is an outlier**

- \$21M in prior year debt
- \$11M gap in patient receipts.

Must reduce spending, collect receipts, combination, other measures

**DHHS identifies “critical needs” and year to date offsets**

“Critical Needs”: Identified funding gaps, such as state match for IT projects, funding for the Division of Information Resources Management, the Mental Health gap, and early Medicaid estimate.  
*(Amount varies with changing conditions, January estimate \$200M+)*

Offsets: Funding available within DHHS budget lapsed salaries, under spending programs, departmental receipts such as indirect cost, prior year earned revenues, other *(Amount varies, January estimate \$37M)*



## Looking ahead to the second half of 2013-14

DHHS forecast of Medicaid revenues and expenditures

Agency update on savings measures, ACA impacts, factors impacting Medicaid

Data with a higher degree of accuracy to be available from NC TRACKS to Medicaid evaluate expenditures

**Ongoing monitoring and reporting, and contingency planning**



# Conclusion and Thank You

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